

SURREBUTTAL TESTIMONY OF
WILLIAM STEINHURST
ON BEHALF OF
THE SOUTHERN ENVIRONMENTAL LAW CENTER AND
THE SOUTH CAROLINA COASTAL CONSERVATION LEAGUE

DOCKET NO. 2009-261-E

I. INTRODUCTION

Q. Please state your name.

A.My name is William Steinhurst.

Q. Are you the same William Steinhurst who prefiled direct testimony in this proceeding on behalf of SELC and SCCCL?

A.Yes, I am.

Q. What is the purpose of your testimony?

A.In this surrebuttal testimony, I respond to certain issues raised in the rebuttal testimony of South Carolina Electric & Gas (“SCE&G” or “the Company”) witnesses Howard, Pickles, Wilson and Jackson.

Q. What points do you address with regard to the issues the Company’s witnesses discussed in their rebuttal?

A.Specifically, I address the following:

- Opposition to specific low-income programs by witnesses Howard and Pickles;
- Questions about how and when monitoring, verification and evaluation of DSM programs should be planned and implemented, as raised by witness Howard;

- Objections to performance-based incentives by witness Wilson and questions as to the size of such incentives and the basis to which they apply raised by witness Jackson;
- Opposition to my proposed total resource cost test adjustments by witness Pickles;
- Concerns about cost allocation and lost margin recovery raised by witness Jackson;
- Preapproval for changes to programs and the timing and venue of future DSM filings as discussed by witness Howard; and
- Proposed stakeholder involvement in programs as discussed by witness Howard.

II. DSM PROGRAMS FOR HARD-TO-REACH CUSTOMERS, INCLUDING LOW- INCOME CUSTOMERS.

Q. Do you concur with the Company’s rebuttal concerning DSM programs for low-income customers?

A. No, I do not. Witness Howard claims that the Company’s proposal is adequate, and that low-income programs face “uniquely complicated issues” and are not cost-effective. She argues that the Company’s programs are simply misunderstood, and that my concerns about DSM for low-income customers (and other particular types of programs) should simply be addressed during the process of creating “marketing plans.” None of those arguments are valid.

The Company’s shortcomings with regards to addressing the DSM needs of hard-to-reach customers are magnified by the “to be determined” status of what the Company

1 refers to as its “marketing plans” for various “customer groups.”¹ Sound DSM program
2 design (at the level that should be required for program approval) *must* clearly address
3 market segmentation, for example, because that segmentation needs to drive fundamental
4 program design if the programs are to succeed in obtaining meaningful savings.

5 In my direct testimony, I referred broadly to DSM programs for hard-to-reach
6 customers, a group that includes low- and limited-income customers. I agree with
7 witness Pickles that services to low-income customers present special program design
8 concerns, but those concerns are simply manifestations of the barriers that low-income
9 customers face in attempting to be energy efficient. Many utilities and commissions have
10 successfully risen to the challenge of breaking down such barriers, and the Commission
11 and the Company should do no less.

12 To begin with, low-income DSM programs are typically cost-effective and do not
13 result in cross-subsidies. For example, the current DSM program plan for Massachusetts,
14 filed on behalf of five electric utilities serving the state, includes six low-income DSM
15 programs covering new construction, single- and multi-family retrofits, and a combined
16 audit/weatherization program. These programs have benefit-cost ratios ranging from 2.2
17 to 5.7, and feature “a new model for addressing low-income customers living in multi-
18 family dwellings, regardless of their rate class or whether they rent or own their home.”²
19 NationalGrid’s low-income program for Rhode Island projects a benefit-cost ratio of 2.1,

¹ This conclusion is broader than just the issue of programs for hard-to-reach customers. Witness Howard’s suggestion that SELC/SCCCL simply misunderstands the nature of the proposal and this proceeding should be rejected.

² 2010 – 2012 Massachusetts Joint Statewide Three-Year Electric Energy Efficiency Plan, pp. 10 and 14, available at <http://www.ma-eeac.org/docs/DPU-filing/ElectricPlanFinalOct09.pdf>

1 not far from the overall residential program ratio of 2.4.³ Both of those jurisdictions have
2 dedicated 10% of DSM program budgets to efficiency programs targeting low-income
3 customers.

4 As ORS witness Gunn points out, most large-scale DSM programs include
5 specific programs designed for low-income customers, not just slightly larger rebates to
6 participate in the same programs as other customers, which is what SCE&G proposes
7 here. In my experience, such program “tweaks” cannot overcome the relevant market
8 barriers. Rather, targeted programs and seamless delivery of such programs is critical to
9 serving hard-to-reach customers with limited time and resources.

10 One example of a market barrier is due to the fact that many hard-to-reach
11 customers live in manufactured housing, including mobile homes, which require different
12 measures and approaches compared to others. Nearly one-fifth of South Carolina
13 housing units are manufactured housing (which includes mobile homes), and the majority
14 of those units are over twenty years old.⁴ Even more of a concern to the Company, the
15 proposed Tier 2 residential checkup and home audit is only available to homeowners.
16 However, nearly 55% of South Carolina housing units are occupied by renters.⁵ Renters
17 suffer from what is called the “split incentive” barrier because they occupy the space (and

³ *Energy Efficiency Program Plan for 2010*, Table 1, p. 3, available at
[http://www.ripuc.ri.gov/eventsactions/docket/4116-NGrid-DSM2010\(11-2-09\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4116-NGrid-DSM2010(11-2-09).pdf)

⁴ ACEEE, et al., *South Carolina’s Energy Future: Minding Its Efficiency Resources*, November 2009, p. 32.
Available at <http://aceee.org>. As noted in my Direct prefiled, several Synapse staff members were a part of the
team that produced this report, although I, myself, was not. Specifically, Synapse assisted ACEEE in the
development of the avoided cost projections used in that report. I was not part of the Synapse team on that project
and have no personal knowledge of the work done beyond what is in the published report.

⁵ U.S. Census Bureau, DP-4. Profile of Selected Housing Characteristics: 2000, available at
http://factfinder.census.gov/servlet/QTTable?_bm=n&_lang=en&qv_name=DEC_2000_SF3_U_DP4&ds_name=DEC_2000_SF3_U&geo_id=04000US45

1 usually pay the power bill) but lack the authority and duration of tenancy to cost-
2 effectively carry out efficiency improvements. A special, custom-designed program is
3 necessary to successfully address the needs of renters by working with landlords,
4 building managers and tenants.

5 In fact, the entire Residential Energy Check-Up and Home Performance Audit
6 program is flawed and wasteful. Aside from the high fees noted by ORS witness Gunn,
7 the program lacks the type of follow-through (such as arranging, contracting, contract
8 supervision, and commissioning services) needed to obtain identified savings, and instead
9 incorporates arbitrary limitations (*e.g.*, the four bulb limit on direct install measures) that
10 are guaranteed to create lost opportunities and result in cream-skimming. Many of these
11 same flaws apply to programs that may be offered to small businesses, many of whom are
12 renters, as well.

13 Company witness Pickles suggests that planning DSM programs for hard-to-reach
14 customers should be deferred “pending ARRA results.” This approach creates serious
15 lost opportunities. For example, if a low-income dwelling is weatherized but is not also
16 fully treated with all cost-effective electric DSM measures, the dwelling (and utility) will
17 have to incur entire marketing and mobilization costs again later, making those savings
18 less cost effective (*i.e.*, creating a lost opportunity) and potentially unreachable in the
19 future. In addition, there are vital synergies between weatherization measures and
20 electric DSM measures that can reduce the cost of both. As mentioned elsewhere in this
21 testimony, it is a standard best practice to harvest those savings by joint program delivery
22 with low-income weatherization. The experience in both Massachusetts and Rhode

1 Island, for example, is that the pending ARRA funds will merely put a dent in the low-
2 income weatherization backlog, even though utilities in those jurisdictions have been
3 running robust low-income programs for nearly two decades. The need is great now, and
4 will continue to exist after the ARRA funds are exhausted. Delaying any utility-funded
5 efforts to wait for ARRA to “save the day” is unwise. I recommend that the Commission
6 require that delivery of electric utility DSM programs for hard-to-reach customers be
7 closely integrated weatherization programs from the beginning, and not be deferred until
8 it is too late to do so.

9 I continue to recommend that the Commission adopt the recommendations in my
10 direct testimony with respect to hard-to-reach customer programs. I recommend that the
11 Commission go beyond the recommendation of ORS witness Gunn (to develop a stand-
12 alone low-income program, Gunn Direct at 5) and implement a specific policy on this
13 matter. Unless the Commission sets a clear target for spending, savings, or both for hard-
14 to-reach customers, utilities will limit their pursuit to low-hanging fruit, particularly
15 because hard-to-reach customers are less likely to proactively seek out DSM services. I
16 urge the Commission to make the delivery of energy efficiency savings to those
17 customers a top policy priority, both for the cost-effective energy savings available and as
18 a matter of economic and environmental justice and fairness.

19

20

1 **III. DSM PROGRAM MONITORING, VERIFICATION AND EVALUATION.**

2 **Q. Has the Company provided rebuttal testimony regarding DSM program**
3 **monitoring, verification and evaluation (“MV&E”)?**

4 A. Yes. Company witness Howard makes two points on this subject. The first is
5 that the Company should not be required to use independent evaluators. The second is
6 that the Company should not have to design M&V programs before the DSM programs
7 have been finally approved. Howard Direct at 6-7.

8 **Q. How do you respond?**

9 A. I agree with the Company that its personnel or contractors may appropriately do
10 some of the necessary MV&E work.⁶ Most of the work that falls under “monitoring,”
11 such as tracking program enrollment and service delivery expenditures, can be done by
12 the Company. This work is analogous to the task of tracking project work and
13 accounting for spending for line extensions. However, the monitoring of DSM program
14 delivery and spending needs to be subject to an appropriate level of independent audit.

15 The verification part of the MV&E triad is a bit more complex. The various DSM
16 programs require several types of verification. One kind is verification that the services
17 by utility staff or a contract delivery agent are delivered as specified. I see no reason why
18 this cannot be done in-house if the Company wishes, again subject to appropriate
19 independent audit. Another type of verification is the comparison of actual measured
20 savings from a customized or complex measure or set of measures to the planned level of
21 savings, such as is sometimes needed for a particular large commercial building HVAC

⁶ Please note that monitoring, verification and evaluation are distinct processes serving different purposes, and the relevant section of witness Howard’s testimony that I address here does not speak to the “evaluation” part of MV&E.

1 retrofit. Another is updating, checking or expanding the values used to impute savings
2 from prescriptive measures (items chosen from a pre-approved menu). These latter two
3 are examples of types of verification that may require outside expertise or a degree of
4 independence not available in-house at the Company.

5 The evaluation leg of the MV&E triad also includes several types of tasks. One is
6 the computation of total savings in energy and peak load from a program or set of
7 programs, as well as total costs, and the derivation of the aggregate savings and cost-
8 benefit ratios. The primary purposes for this type of evaluation are (1) decisions about
9 the future of programs (*e.g.*, scale up, scale down, or redesign) based on results, (2)
10 assessment of whether the Company has met its targets, and (3) computation of utility
11 incentives or disincentives, as well as of lost margins. The Company, Commission staff,
12 or contractors could conduct this type of evaluation. However, due to the sensitivity of
13 those tasks and the natural self-interest of the Company in the outcome, a high degree of
14 independence is required, if only to ensure public acceptance.

15 The other type of evaluation needed is evaluation for purposes of program
16 improvement, which comes in several varieties, including process, output and outcome
17 evaluation. Process evaluation may use surveys, interviews or other methods to examine
18 *how* a program is operating and what kinds of internal changes would make it work
19 better. Issues that may be addressed include compliance with Company and Commission
20 policies and procedures, whether participants understood information they were given,
21 received the services they were expecting and in an appropriate manner, or whether
22 program enrollment and dispatch services were clear and fair. Output evaluation may

1 include the computations described in the immediately preceding paragraph. Outcome
2 evaluation may go beyond outputs to measure additional program results, such labor or
3 water savings by the participant, positive or negative impacts on the participant's comfort
4 or productivity, or changes in attitude towards and willingness to invest in energy
5 efficiency. Each of these types of evaluation can be useful to the Company and the
6 Commission in planning for the future of DSM. Process and outcome evaluation are
7 particularly sensitive and likely to be influenced by assumptions and expectations, so
8 independence is quite important. Process evaluation skills are also quite specialized and
9 not likely to be available at a professional level in-house.

10 **Q. Please address the second assertion that the Company does not believe that it is**
11 **appropriate to design M&VE programs before the DSM programs have been finally**
12 **approved.**

13 A. Although the Company's program portfolio as presented to the Commission lacks
14 some crucial details, it appears that the Company generally has a program plan. At a
15 minimum, as recommended by ORS witness Gunn, the Company should specify the
16 standards and protocols for MV&E so that the Commission can ensure that best practices
17 will be used. Ideally, the Company should have database and collection plans
18 demonstrably sufficient to support the tracking needs of MV&E, as well as clearly
19 articulated specifications and research designs for evaluation. Because the Company has
20 not done this, I recommend that the Commission require a prompt supplemental filing by
21 SCE&G detailing its MV&E plans for any approved programs and require that future
22 applications for program approval include such plans when filed.

1 **IV. UTILITY INCENTIVES.**

2 **Q. In his rebuttal testimony, Company witness Wilson opposes basing utility incentives**
3 **on performance because it would create “uncertainty” and because results are hard**
4 **to measure. Do you agree?**

5 A. No, I do not. The argument that performance-based incentives are inappropriate
6 because they create uncertainty is absurd and should be rejected by the Commission.
7 Quite the contrary, the role of performance-based incentives is to promote certainty. If
8 the incentive is not tied to performance, the Company has no financial incentive to
9 deliver any savings whatsoever. Further, it is routine to measure the outcomes of a
10 utility’s DSM programs. The Company has already agreed that such measurement is
11 essential, so the fact that the measurements may be difficult does not mean it should not
12 be done.

13 **Q. Mr. Wilson also claims that the Company’s proposed 3% (300 basis point) incentive**
14 **is needed to serve as a reasonable incentive for the Company to invest in DSM**
15 **programs without effectively penalizing the Company for making investments in**
16 **DSM programs versus generation facilities. He also objects to the possibility of a**
17 **negative incentive for poor performance. Please comment.**

18 A. I disagree. Mr. Wilson presents no evidence to support the necessity of the
19 Company’s proposed level of incentives. In my experience ROE incentives (and
20 penalties) of as little as 50 basis points produce extremely intense attention among utility
21 managers. I believe my recommended 100 basis point “center” for utility incentives is
22 well within the range that would be effective. As for the potential for a “negative”
23 incentive, I would point out the bottom line of my proposal would *not* result in an actual
24 penalty. The actual effect of under-performance would still be a substantial positive

1 return, because the Company would still recover net lost revenues and also earn a
2 substantial return on program costs.

3 **Q. Company witness Jackson addresses the issue of need for an incentive of the size**
4 **proposed by the Company. Please comment on his arguments.**

5 A. Mr. Jackson first argues that the premium ROE is needed because DSM costs are
6 recorded as a regulatory asset and as a way to mitigate lost revenues from DSM. The
7 length of time over which the assets are depreciated is relevant as it affects the absolute
8 size of the incentive. I disagree with witness Jackson's reasoning, however, for reasons
9 that support my proposed level of performance-based incentives. While investors know
10 the difference between an asset based on real property and one based on a regulatory
11 asset, I am not aware of any systematic bias against companies with reasonable levels of
12 regulatory assets. In fact, it was delays or failures in cost recovery of real property-based,
13 generation assets that led to the rise of those concerns in the first place, not the type and
14 scale of regulatory assets that flow from DSM programs.

15 On the matter of the length of the amortization period during which these
16 incentive ROEs would be available, Company witness Jackson rebuts an argument by
17 CMC witness Goins calling for a ten-year amortization instead of the five-year period
18 proposed by the Company. Jackson Rebuttal at 2. I concur with witness Jackson. Ten-
19 year amortization may better match the period over which the costs are repaid to the
20 period over which the benefits accrue. However, the longer amortization period greatly
21 increases the cost of saved energy due to the ongoing collection of return and income
22 taxes on ROE for those assets. I support use of the five-year period.

1 **Q. Witness Wilson also discusses whether the incentive should be based on the total**
2 **capital employed for DSM programs, rather than only on the equity portion. Do**
3 **you have any comments?**

4 A. Witness Wilson states he is indifferent so long as the change does not result in a reduced
5 size of the incentive. My assessment is similar to his; I am indifferent as to which capital
6 amount is the basis for the incentive, so long as the resulting level of incentive is
7 comparable to my original recommendation. That is, if the incentive were to be based on
8 the entire capital instead of the equity capital, my recommended percentages for the
9 incentives would need to be reduced. The reduction would depend on the Company's
10 capital structure, but would likely be on the order of 50%.

11 **V. COST-BENEFIT SCREENING ISSUES.**

12 **Q. Has the Company offered rebuttal of your testimony on cost-benefit screening?**

13 A. Yes. Company witness Pickles raised objections to all three of the Total Resource
14 Cost test adjustments I recommended.

15 His first asserted objection is to adding carbon costs to the avoided cost of
16 generation on the grounds that those costs have been reflected in the dispatch modeling
17 used to compute those avoided costs. If the values used and the manner in which they
18 were applied was appropriate, that would be acceptable. However, Mr. Pickles does not
19 provide that information in his rebuttal.

20 Witness Pickles also objects to the recommendation to include an environmental
21 adder for non-generation avoided costs. He claims that this 10% adjustment is just an
22 obsolete "short-cut" to represent carbon costs. As I explained in my direct testimony,
23 carbon costs were not part of the support for this adjustment. The remainder of his

1 argument is that support for a specific number is lacking and that, in his judgment, a
2 smaller number would be appropriate. I agree that the question of an appropriate size
3 adjustment for those impacts is an open one, but we *know* for certain that zero is the
4 wrong number. I stand by my recommendation.

5 Lastly, Witness Pickles argues that there is no “empirical evidence” of risk
6 reduction benefits from DSM. Pickles Rebuttal at 20.⁷ This is incorrect. It well-
7 established that DSM entails considerably less financial, business or planning risk than
8 investment in new supply-side resources.⁸ There are numerous risks that are very
9 specific to supply-side investments and clearly do not exist for DSM resources. The
10 specific counter-example offered by witness Pickles is the possibility that some DSM
11 programs might not deliver the full amount of savings expected. This is an especially
12 weak example. As explained in my direct testimony, the modularity and maneuverability
13 of DSM programs is precisely why such risks are minimal, especially compared to the
14 long-lead-time, all-or-nothing risks for new generation.

15 **VI. DSM PROGRAM COST ALLOCATION AND LOST REVENUE**
16 **CALCULATION**

17 **Q. Does the Company challenge your testimony on cost allocation?**

⁷ Company witness Wilson also seeks to portray DSM and supply-side risks as comparable. Wilson Rebuttal at 7-8. He discusses the risk that DSM programs may not deliver, a risk that I addressed in my direct testimony and again here. The remainder of his discussion relates to *financial* risks to stockholders. In my direct testimony I was discussing mainly planning and operational risks, not financial risks. As for any supposed financial risks, I am aware of many utilities that have been severely stressed financially over the last thirty years, even to the point of bankruptcy, by supply-side investments, but I do not know of one utility that has ever been bankrupted by DSM programs gone awry.

⁸ See for example, U.S.EPA/DOE, National Action Plan for Energy Efficiency, Report (July 2006) at 123, available at http://www.epa.gov/cleanenergy/documents/napee/napee_report.pdf.

1 A. Yes. Company witness Jackson argues for what he calls “direct assignment” of
2 costs on the grounds that the Commission has supported “directly assigning operating
3 costs to the customer class causing the costs when identifiable on the books and records
4 of the Company.” Jackson Rebuttal at 6.

5 Witness Jackson’s argument misses the point. The principle of cost causation in
6 allocating costs among rate classes supports my position, not the Company’s.⁹
7 Resources—whether supply-side or demand-side—are procured in order to provide
8 utility service. The cost causation principle calls for those costs to be allocated among
9 rate classes according to their consumption of utility service, that is, according to their
10 energy and peak load requirements.¹⁰ The Company’s proposal turns the idea of
11 causation on its head and should be rejected.

12 I also note that the Company’s rebuttal has not responded to my concerns about
13 the vagueness of the Company’s proposal. It is impossible to tell from the filing or the
14 Company’s prefiled testimony what cost allocation methodology it proposes to use.

15
16 **Q. Does the Company challenge your testimony on measurement of lost revenue?**

17 A. Yes. Company witness Jackson argues that it is sufficient to reflect such items as
18 off-system sales and similar revenues in the Company’s cost of service studies because
19 “the Company’s current rates, which are the basis of the lost revenue calculation, reflect a

⁹ I have not had an opportunity to research the Commission’s policy on this matter, and Witness Jackson did not provide citations in his rebuttal testimony. However, following the principle of cost causation in allocating costs among rate classes is the norm in my experience.

¹⁰ Similarly, metering and billing costs are allocated according to the number of customers and the complexity of the meters needed to serve them.

1 credit for these sales and as a result, the revenues from off-system sales and the other
2 benefits mentioned above are embedded in the lost revenue calculation.” Jackson
3 Rebuttal at 7. Unfortunately, this misses the point entirely. The key point is that each
4 additional unit of energy and capacity saved through DSM provides (or should provide
5 under prudent and economical management) an incremental addition to off-system and
6 similar revenues regardless of what was in any prior cost of service study.

7 Witness Jackson also notes, in the same passage just cited, that “these [off-system
8 and similar] sales are highly variable and uncertain and there is no reliable basis for
9 projecting increased levels of future sales in SCE&G’s calculation of net margin revenue
10 in the current DSM filing.” That is correct. They must be determined after the fact, and
11 it is impossible for them to have been accurately reflected in any pre-existing cost of
12 service study. This reinforces my point in the immediately preceding paragraph.

13 I also disagree with Mr. Jackson’s argument that variable operation and
14 maintenance (“O&M”) costs need not be deducted from lost revenue. Witness Jackson
15 claims that the Company’s commitment to reflect the cost of avoided emission
16 allowances, limestone, ammonia, and “environmental costs” as part of “fuel costs”
17 addresses variable O&M costs. This is incorrect. While one might consider those items
18 as O&M costs, they do not constitute the whole of variable O&M. For example, many
19 types of generating equipment require certain types of service after a given amount of
20 production. The Company should identify and deduct from lost revenues all forms of
21 variable O&M.

VII. OTHER MATTERS RAISED IN THE COMPANY'S REBUTTAL.

Q. Would you like to address any additional issues in the Company's rebuttal?

A. Yes. Witness Howard opposes a requirement for pre-approval of DSM program changes. Sound management requires a certain degree of flexibility and nimbleness during program delivery, but accountability also is necessary. I recommend that the Commission allow program changes up to a certain size (by program and cumulatively over all programs) before requiring pre-approval of further changes. The Commission should also require pre-approval of certain substantial changes of program scope. Specifically, I support the following language:

- a. The Company may adjust individual DSM program budgets without prior approval so long as the change to any one program's budget does not exceed plus or minus 10% cumulatively since program approval.
- b. The Company may adjust the total DSM budget up or down without prior approval by up to 10% cumulatively since program approval so long as any reduction in funds is transferred to future DSM program budgets.
- c. The Commission should also require pre-approval before a program is entirely eliminated or changed in such a way that its goals are reduced more than a given amount.
- d. Changes in excess of these amounts shall be brought to the Commission for pre-approval in the same manner as the original programs.
- e. The Company shall report annually all changes to DSM program budgets individually and in total.

1 **Q. Witness Howard supported in part and opposed in part ORS witness Gunn's**
2 **recommendations concerning program reporting and filing of portfolio updates. Do**
3 **you concur ?**

4 A. I concur with the Company's suggestions on reporting, but only so long as the
5 Commission sets a *minimum* floor of required data. Failure to do so now would greatly
6 increase the risk of the Company failing to collect the necessary data and being unable to
7 be properly accountable in the future. I also conditionally support the notion of filing
8 renewed program portfolios as part of future IRPs. This is the preferred method and
9 timing for selecting DSM programs and setting resource targets. However, I support that
10 suggestion only if that filing is required to reflect full analysis of DSM potential, program
11 and measure selection using the TRC test, and all the other normal parts of a DSM
12 program approval filing.

13 **Q. Please comment on Company witness Howard's opposition to creation of "a**
14 **regulatory mandated stakeholder advisory process related to DSM."**

15 A. Witness Howard opposes creation of "a regulatory mandated stakeholder advisory
16 process related to DSM," claiming that would somehow violate the Company's
17 management prerogatives or the Commission's authority. My experience is that utilities
18 who engage in such stakeholder processes benefit immensely, so long as the process has
19 adequate resources and is not under the utility's thumb. There is no conflict between
20 such an advisory process and the Company's exercising its final judgment regarding
21 management decisions, nor would it impinge the Commission's authority to issue any
22 orders it sees fit.

1 A very different option—and one that I strongly support, but do *not* recommend
2 be imposed by order—is the DSM Collaborative. This model is a form of structured
3 settlement process. As such, it should be entered into voluntarily by the participants,
4 should be under their control, and be subject to ground rules agreeable to them.

5 However, an agreement to enter into such a Collaborative process, and the ground rules
6 adopted for it, must be structured in the form of a settlement to be approved and enforced
7 by the Commission to ensure that it is taken seriously. I strongly support such a process
8 because I have seen them succeed and, even, excel for nearly twenty years.

9 **Q. Does this complete your Surrebuttal testimony?**

10 **A. Yes, at this time.**